

Message Text

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ACTION EUR-25

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C O N F I D E N T I A L MOSCOW 11460

E. O. 11652: GDS

TAGS: EGEN, ETRD, UR

SUBJ: AMBASSADOR'S CALLS: V.S. FEDOROV

1. SUMMARY: MINISTER OF PETROLEUM REFINING AND PETROCHEMICAL INDUSTRY VIKTOR S. FEDOROV REVIEWED PROSPECTS FOR US-SOVIET COOPERATION IN THIS FIELD DURING MY INTRODUCTORY CALL JULY 24. IN THE COURSE OF OUR FORTY-MINUTE CONVERSATION FEDOROV, STILL BASKING IN GLOW OF HIS RECENT TRIP TO U.S., EMPHASIZED WARM RECEPTION HE FOUND WITH SEVENTEEN FIRMS WHICH RECEIVED HIM AND INDICATED MACHINERY PURCHASES, EXCHANGES OF TECHNOLOGY AND JOINT PRODUCTION OF SYNTHETIC RUBBER AND BENZOL AS BRIGHTEST IMMEDIATE PROSPECTS FOR COMMERCIAL TRANSACTIONS WITH HIS MINISTRY. END SUMMARY.

2. MY FAVORABLE COMMENTS ABOUT HIS OFFICE (LOCATED IN THREE-YEAR-OLD TWENTY-STORY BUILDING AWAY FROM MOSCOW'S CENTER) BROUGHT FEDOROV TO COMMENT ON RECENT VISIT TO MOSCOW BY SATANDARD OIL (INDIANA) PRESIDENT GUNNESS AND ON HIS OWN RECENT VISIT TO U.S. FEDOROV STATED HE HAD EXCEPTIONALLY POSITIVE IMPRESSION FROM THIS LAST TRIP, IMPRESSION SHARED FULLY BY OTHER MEMBERS OF HIS DELEGATION: "IT SEEMED CLEAR
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TO US THAT BUSINESS WORLD IN U.S. WANTS TO WORK WITH US, NOT

ONLY COMMERCIALY BUT ALSO IN RESEARCH. I THINK TRIP WAS USEFUL FOR US AND I HOPE EQUALLY SO FOR SEVENTEEN COMPANIES WE VISITED. AT ONE OF THEM COMPANY PRESIDENT REMARKED TO ME 'WE ARE JUST NOW FINDING OUT WHAT AND WHO YOU ARE --AMERICAN BUSINESS HAS AWAKENED TO SOVIET TRADE OPPORTUNITIES ONLY RECENTLY.' WE FEEL YOU NOW UNDERSTAND US." FEDOROV MENTIONED HE HAD VISITED ONE UNION OIL REFINERY LAST SPRING AND THAT SOVIETS HAD MORE RECENTLY SHOWN ONE OF THEIR PLANTS TO UNION OIL PRESIDENT HARTLEY: "HE WAS SO TO SPEAK NOT OVERWHELMED, BUT OUR DISCUSSIONS WERE EXCELLENT."

3. COMMENTING THAT TECHNICALLY U.S. AND SOVIET PETROCHEMICAL INDUSTRIES ARE WORKING AT SIMILAR LEVEL OF RESEARCH, FEDOROV NOTED LONG AND CLOSE TIES BETWEEN REPRESENTATIVES OF PETRO-CHEMICAL INDUSTRIES IN BOTH COUNTRIES BEGINNING WELL BEFORE SECOND WORLD WAR. FEDOROV DESCRIBED SOVIET MEMORIES OF THIS ASSOCIATION WITH SUCH FIRMS AS C.E. LUMMUS, ALCOA AND OTHERS AS VERY HAPPY. "WHEN I WAS IN U.S. THIS LAST TIME," HE CONTINUED, "I ASKED MYSELF QUESTION, HOW DOES IT HAPPEN THAT OUR RECEPTION IS SO FAVORABLE, AND I CONCLUDED THAT LAST THREE SUMMIT VISITS HAVE MADE VITAL DIFFERENCES. NOW IN THE SCIENTIFIC AND TECHNOLOGICAL CENTERS WE CAN DISCUSS THINGS FREELY WITH EACH OTHER -- THE ATMOSPHERE IS MUCH MORE OPEN. WITH ONE COMPANY WE ARE BEGINNING TO EXPLORE WAYS OF COLLABORATING ON RESEARCH WHICH INTERESTS US BOTH." EVEN COMPARED WITH ATMOSPHERE AT EIGHTH PETROLEUM CONGRESS TWO YEARS AGO, WHERE HE PRESENTED REPORT, FEDOROV SAID HIS STAY THREE MONTHS AGO WAS NOTABLE FOR GREATER WARMTH AND EASIER EXCHANGE OF VIEWS.

4. RESPONDING TO MY QUESTION ABOUT CONCRETE POSSIBILITIES FOR EXPANDED SALES AS WELL AS COOPERATION, FEDOROV MENTIONED FIRST SALES OF MACHINERY BY US FIRMS AND SALES OF RUBBER OF VARIOUS TYPES BY SOVIETS: "WE PRODUCE MORE SYNTHETIC RUBBER THAN YOU DO JUST NOW, AND I AM SURE YOU UNDERSTAND WHY: WE HAVE NO RUBBER PLANTATIONS. THEN, ON A COMPENSATORY BASIS, WE SEE GOOD PROSPECTS FOR A MAJOR COMPLEX PRODUCING 'PAROXYL' (EMBASSY BELIEVES THIS REFERS TO ISOPRENE AND/OR BUTADIENE PROJECTS CURRENTLY UNDER DISCUSSION BETWEEN SOVIETS AND C.E. LUMMUS). THE WHOLE QUESTION IS PRICE--NO, NOT ONLY PRICE: IN THE PAST OUR INDUSTRY HAS ACQUIRED LITTLE MACHINERY FROM

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FOREIGN SOURCES, BUT WE ARE LOOKING FORWARD TO TECHNOLOGICAL EXCHANGES, AND THIS WILL HAVE A POSITIVE INFLUENCE." IN THIS CONNECTION FEDOROV SPECIFICALLY MENTIONED JAMES THORNTON OF COMBUSTION ENGINEERING, AS WELL AS GENERAL TIRE, PHILLIPS PETROLEUM, UNIROYAL AND UNIVERSAL OIL PRODUCTS. HE COMMENTED THAT UOP PROPOSALS WERE JUST NOW BEING EVALUATED BY HIS COLLEAGUES.

5. REMARKING THAT DISCUSSIONS WITH U.S. COMPANY REPRESENTATIVES HAD BROUGHT TO HIS ATTENTION WEAK SIDE OF AMERICAN INDUSTRY -- RAW MATERIALS, FEDOROV STATED SOVIETS ARE ALSO TALKING WITH U.S. FIRMS ABOUT SALES OF MONOMERS FOR USE IN SYNTHETIC RUBBER PRODUCTION AND OF BENZOL.

6. FEDOROV DEFINED MFN SITUATION AS PRINCIPAL STUMBLING BLOCK TO FURTHER DEVELOPMENT OF US-SOVIET ECONOMIC/COMMERCIAL RELATIONS. NOTING HE FELT MANY IN U.S. NOW UNDERSTAND THIS, HE CONCLUDED WITH COMMENT THAT SOVIETS WANT TO TAKE PART IN BILATERAL TRADE ON EQUAL BASIS.

7. FEDOROV RECEIVED ME WITH MARKED CORDIALITY AND WE PARTED WITH MUTUAL ASSURANCES OF ASSISTANCE IN TASK OF BUILDING NEW COOPERATIVE TIES AND STRENGTHENING EXISTING ONES.
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